

I. Major Economic Release

Upcoming Economic Release

Economic Indicator	Period	Market Survey	Prior Period
China: Money Supply M1 / M2 YoY	Jun	5.8% / 8.4%	6.0% / 8.3%
US: PPI Final Demand YoY	Jun	3.10%	3.10%
Japan: PPI YoY	Jun	2.80%	2.70%
Japan: Core Machine Orders YoY	May	9.50%	9.60%
Australia: Westpac Consumer Confidence Index	Jul	N/A	102.1

Source: Bloomberg

II. Macro News

- **US Proposes Tariffs on \$200 Billion More in Chinese Imports.** The Trump administration is readying tariffs on another \$200 billion in Chinese imports, ranging from burglar alarms to mackerel, escalating a trade war between the world's two biggest economies. [Bloomberg]
- **China Factory Inflation Accelerates as Commodity Prices Edge Up.** China's factory inflation accelerated in June as the price of commodities held up. The producer price index rose 4.7 percent from a year earlier, compared with a projected 4.5 percent increase in a Bloomberg survey of economists and a 4.1 percent gain in May. [Bloomberg]
- **U.K. Services Lift Growth in May in Rebound from Bleak Winter.** The U.K. economy is bouncing back from a near standstill in the first quarter, led by services such as retailing and computer programming. GDP increased 0.2% in the three months through May, the Office for National Statistics said on Tuesday. [Bloomberg]

III. Industry News

- **China Urgently Needs Economic Reform, European Chamber Says.** China urgently needs to build on its much-vaunted opening to outside investors by releasing a clear timeline for its reform agenda and working to put international and domestic companies on an equal footing, the European Union Chamber of Commerce in China said. [Bloomberg]
- **China tells banks to 'significantly' cut lending rates to small businesses.** China's financial regulator has told banks to "significantly cut" lending rates for small firms in the third quarter in comparison with the first quarter. The move comes amid a Chinese deleveraging campaign to crack down on financial risks and economic uncertainty triggered by a trade war with the U.S. that economists have cautioned could slow China's economic growth. [Bloomberg]
- **China to cut tariffs on Indian cancer drugs.** India and China have reached an agreement on reduction of tariffs on Chinese imports of Indian medicines, particularly cancer drugs, the foreign ministry here said today, days after a Chinese movie on a leukaemia patient highlighted the need for paving the way for import of cheap Indian drugs. [Bloomberg]

IV. Corporate News

- **ZTE's new management looks forward to new era and sets compliance as priority number one.** ZTE Corp will set compliance as its top priority in future, according to the company's brand-new management team which last week took over the reins of China's No. 2 telecommunications equipment maker. [SCMP]
- **Foxconn logs record sales in second quarter.** Taiwan's Foxconn yesterday said sales rose 24% in June, helping the Apple supplier post its best-ever second-quarter revenue. The company said revenue reached NT\$389.9bn (HK\$100.7bn) in June. Foxconn attributed the growth to the consumer electronics, computing and communications sectors. [SCMP]

- **Xiaomi Gains \$6 Billion in a Rebound From Weak Hong Kong Debut.** The Chinese company finished Tuesday at HK\$19, well above its HK\$17 initial public offering price. About HK\$9.7bn (\$1.2bn) worth of shares changed hands, more than the value traded during its debut. [Bloomberg]
- **Xiaomi to Replace ZTE H Shares in FTSE China 50 Index.** Xiaomi is to be added and ZTE H shares to be removed from the index July 16, FTSE says in statement on the website. Xiaomi will also be added to FTSE All-World Index. Earlier, Xiaomi to be added to Hang Seng Composite Index July 23. [Bloomberg]
- **Tianli Education Says Hong Kong IPO Retail Portion 9.4x Covered.** Tianli Education prices 500m shares at HK\$2.66 apiece, top end of its marketed range, in its Hong Kong initial public offering, according to statement to Hong Kong stock exchange. [Bloomberg]
- **Ping An to Buy 20% Stake in Builder China Fortune for \$2B.** A unit of Ping An Insurance (Group) Co. plans to purchase a 19.7% stake in local developer China Fortune Land Development Co. The insurer's asset management unit will spend 13.8bn yuan (\$2.1bn), or 23.66 yuan a share, to buy 582mn shares of the builder from the company's controlling shareholder. [Bloomberg]
- **Ping An Said to Mull Rival Takeover Offer for China Biologic.** Ping An Insurance (Group) Co. is considering a rival offer for plasma treatment provider China Biologic Products Holdings Inc. An arm of Ping An is in talks with other investors about a potential joint bid for Beijing-based China Biologic. [Bloomberg]
- **BMW Finalizes Accord to Start Producing Electric Minis in China.** BMW AG will make Mini cars in China for the first time, sealing a joint-venture agreement to produce electric vehicles with partner Great Wall Motor Co. in the world's largest automotive market. [Bloomberg]
- **China's Anbang Is Said to Explore Sale of Belgian Insurer Fidea.** Anbang Insurance Group Co. is exploring a sale of Belgian insurer Fidea, in what would be the troubled Chinese insurer's first European divestment since it was seized by the govt. Anbang has asked investment banks to pitch for a role in managing a potential sale of Fidea. [Bloomberg]
- **Tencent-Backed EV Startup Delays U.S. Plan on Trade Tension.** Chinese electric-vehicle startup NIO retreated from a plan to enter the U.S. within 2 1/2 years, saying the country's growing trade spat with the Trump administration has made it too risky to commit to a firm time schedule. [Bloomberg]
- **Cheng Family Says Purchase Price for Jet Assets Is \$2.8 Billion.** Hong Kong billionaire Henry Cheng's jewelry-to-property business empire will acquire Dublin-based Sky Leasing for \$2.8 billion, including debt, to bolster the group's aviation business. [Bloomberg]
- **China Unicom president resigns.** China Unicom (HK) announced on Tuesday that Lu Yimin has resigned from his position as the president and executive director of the company with effect from today. It said that the reason was the change in work arrangement, adding that Lu has confirmed that there is no disagreement with the board. [The Standard]
- **BMW, Great Wall Motor to produce electric MINIs in China.** BMW AG inked a deal on Tuesday with Great Wall Motor Co to produce electric MINI-branded cars in China, part of its efforts to become better established in the world's largest market for new energy vehicles. [China Daily]
- **JAC and foreign partners to set up R&D center.** Anhui Jianghuai Automobile (JAC Motors) will team up with Volkswagen China and its Spanish brand SEAT to establish a R&D center by 2021. The center will be dedicated to the development of electric cars that meet demands of Chinese customers as well as technology for the Internet of Vehicles and autonomous driving. [China Daily]
- **BMW to raise prices in China due to trade tensions fallout.** BMW will be forced to raise the prices of its vehicles sold in China due to higher import tariffs, the German luxury carmaker announced. "BMW China will not be able to completely absorb the higher tariffs for cars imported from the US," a spokesperson of the company told the press in Munich. [China Daily]

V. Overnight Market Recap

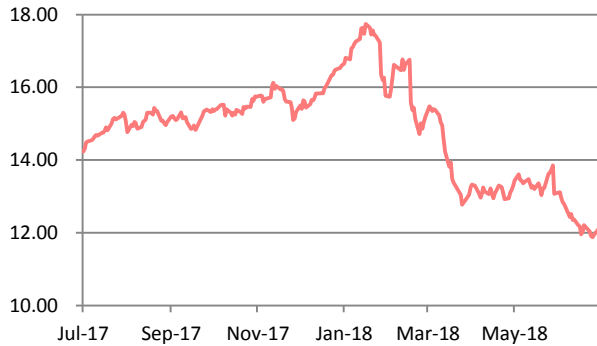
	Close	Net Chg	Chg (%)	Performance (%)						
				1W	1M	3M	6M	1Y	YTD	
US Equity	S&P 500	2,794	9.7	0.3	2.5	0.4	5.7	0.9	15.2	4.5
	Dow Jones	24,920	143.1	0.6	2.5	(1.6)	3.0	(2.6)	16.4	0.8
	Nasdaq Composite	7,759	3.0	0.0	2.5	1.3	9.8	7.6	25.3	12.4
	Russell 2000	1,696	(9.0)	(0.5)	2.4	1.3	9.6	6.9	20.0	10.4
	VIX Index	12.64	(0.1)	(0.4)	(19.0)	2.3	(37.5)	27.9	16.1	14.5
Europe Equity	Euro Stoxx 50	3,473	12.9	0.4	2.0	(0.2)	1.6	(3.4)	0.3	(0.9)
	DAX	12,610	66.0	0.5	2.1	(1.8)	2.6	(4.5)	1.4	(2.4)
	CAC	5,434	36.3	0.7	2.2	(0.7)	3.0	(1.0)	5.7	2.3
	FTSE 100	7,692	4.1	0.1	1.3	(0.6)	6.0	(0.9)	4.9	0.1
APAC Equity	HSI	28,682	(6.3)	(0.0)	0.5	(7.7)	(7.2)	(7.8)	10.8	(4.1)
	HSCEI	10,825	56.6	0.5	(0.4)	(11.1)	(12.2)	(12.0)	3.9	(7.6)
	HSI VIX	19.10	(1.2)	(5.9)	(16.8)	14.2	(12.9)	39.3	40.3	30.8
	CSI 300	3,468	8.3	0.2	1.7	(8.3)	(12.0)	(17.5)	(5.5)	(14.0)
	SH Composite	2,828	12.5	0.4	1.5	(7.4)	(11.9)	(17.4)	(11.7)	(14.5)
	SZ Composite	1,586	11.2	0.7	(0.5)	(8.9)	(14.3)	(18.8)	(16.2)	(16.5)
	Nikkei 225	22,197	144.7	0.7	1.9	(2.7)	2.4	(6.4)	9.9	(2.5)
KOSPI	2,294	8.4	0.4	0.9	(7.1)	(6.1)	(7.8)	(4.3)	(7.0)	
Commodities (USD)	Brent (Future)	78.86	0.8	1.0	1.4	3.1	11.0	14.0	68.2	17.9
	WTI (Future)	74.11	0.3	0.4	0.2	12.0	10.7	16.0	64.3	22.5
	Gold	1,256	(2.1)	(0.2)	0.2	(3.4)	(7.2)	(5.0)	3.2	(3.6)
	Copper (Future)	6,333	(57.5)	(0.9)	(2.4)	(13.4)	(8.8)	(11.5)	8.7	(12.6)
	Baltic Dry Index	1,609.00	(13.0)	(0.8)	9.0	16.0	64.4	23.5	93.9	17.8
FX	Dollar Index	94.16	0.1	0.1	(0.5)	0.7	5.1	2.0	(1.9)	2.2
	EUR	1.17	(0.0)	(0.1)	0.7	(0.5)	(5.2)	(2.5)	2.3	(2.3)
	JPY	111.00	0.2	0.1	0.4	(0.8)	(3.7)	0.4	2.8	1.6
	CNY	6.63	0.0	(0.3)	0.1	(3.5)	(5.3)	(1.9)	2.6	(1.9)
	CNH	6.65	0.0	0.4	(0.2)	(4.3)	(6.1)	(2.9)	1.7	(2.5)
CDS	ChinaGov CDS	68.47	(1.4)	(2.0)	(1.8)	22.1	11.7	48.5	(1.3)	36.7
	CDX Emerging Market	96.85	(0.0)	(0.0)	0.9	0.3	(1.3)	(2.7)	1.5	(2.3)

	Close	Net Chg	Chg (%)	Value						
				1W	1M	3M	6M	1Y	YTD	
US rates	3-Month Treasury Yield	1.97	0.0	1.0	2.0	1.9	1.7	1.4	1.0	1.4
	2-Year Treasury Yield	2.57	0.0	0.4	2.5	2.5	2.3	2.0	1.4	1.9
	5-Year Treasury Yield	2.75	(0.0)	(0.1)	2.7	2.8	2.6	2.3	1.9	2.2
	10-Year Treasury Yield	2.85	(0.0)	(0.3)	2.8	3.0	2.8	2.6	2.4	2.4
	2-10 Spread	27.75	(1.8)	(6.0)	30.3	42.7	47.0	58.0	98.1	51.8
China rates	O/N China Repo Rate	2.20	0.3	12.8	2.1	2.6	2.6	2.7	2.6	3.0
	1-Week China Repo Rate	2.64	0.1	2.7	2.3	2.9	3.0	3.1	3.0	3.1
	O/N SHIBOR	2.31	0.3	15.9	2.2	2.6	2.6	2.6	2.6	2.8
	1-Week SHIBOR	2.66	0.1	2.1	2.7	2.8	2.8	2.8	2.8	3.0

Source: Bloomberg

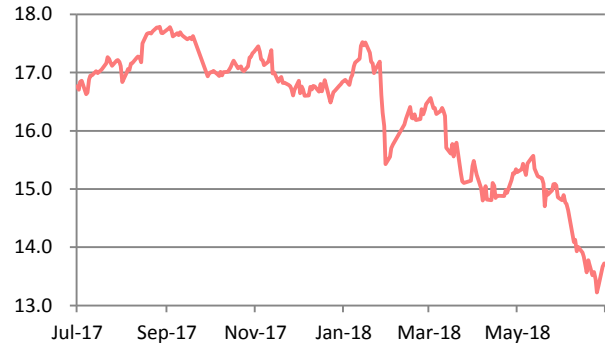
VI. Key Indicators

Hang Seng Index PE Ratio



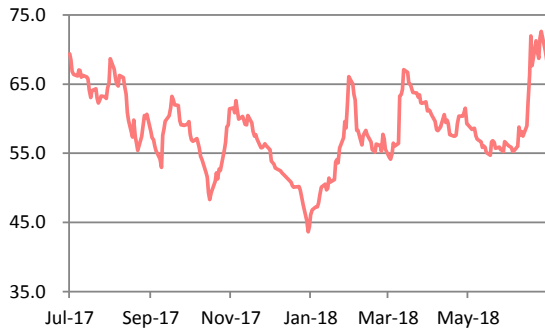
Source: Bloomberg

Shanghai Composite Index PE Ratio



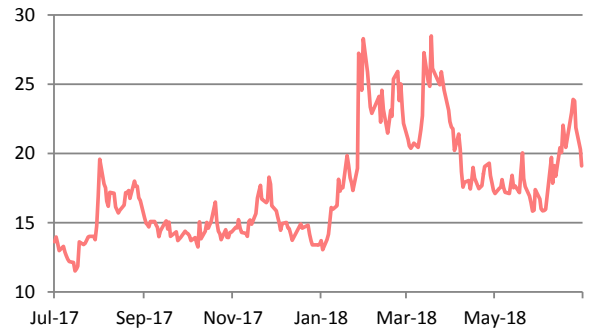
Source: Bloomberg

China 5Y CDS Index_USD



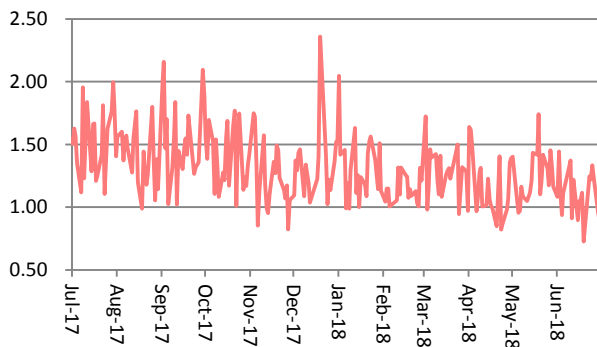
Source: Bloomberg

Hang Seng Index VIX



Source: Bloomberg

Hang Seng Index Put Call Volume Ratio



Source: Bloomberg

USDCNH 1Y Forward



Source: Bloomberg

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